GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:3834
ANSWERED ON:21.08.2003
OIL TRADING AND RISK MANAGEMENT DESKS
SHYAMA SINGH

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government have allowed IOCL and ONGC to set up oil trading and risk management desks;

(b) if so, the details thereof; and

(c) to what extent the oil companies would be benefited from oil trading and risk management desks?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SMT. SUMITRA MAHAJAN)

(a) to (c): The Government has constituted Empowered Standing Committees for import of crude oil by IOCL, BPCL, HPCL an MRPL.

Risk management or hedging of imports/exports of crude oil/products has been allowed by the Government since September 2000 on the condition that there should be a physical underlying import/export transaction and hedging of refining margin has been allowed since June 2002 with underlying crude import transactions. The Government has also decided in June 2003 to permit ONGC to hedge their underlying exposure to price risks with respect to crude oil, natural gas and other petroleum products produced by them/sold in India.

In a deregulated scenario, the oil PSUs are free to set up their own oil trading and risk management desks.Since the oil PSUs are directly affected by the volatility in the international oil prices, risk management or hedging tools can help them in risk mitigation.